

GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING**Pension Fund Fiscal Note 2015 Biennium**

To open, right click on "Select a bill", select Worksheet Object/Edit. To exit, click outside the spreadsheet.

Bill #	HB0476	Title:	Add cost of living adjustment for volunteer firefighters
Primary Sponsor:	Curtis, Amanda	Status:	As Introduced

Retirement Systems Affected:

<input type="checkbox"/> Teachers	<input type="checkbox"/> Public Employees	<input type="checkbox"/> Highway Patrol	<input type="checkbox"/> Police
<input type="checkbox"/> Sheriffs	<input type="checkbox"/> Firefighters	<input checked="" type="checkbox"/> Volunteer Firefighters	<input type="checkbox"/> Game Wardens
			<input type="checkbox"/> Judges

Check the box if "Yes".

- ☐ Has this legislation been reviewed by the legislative interim committee?
☒ Has the cost of this legislation been calculated by the system's actuary?
☐ Does this legislation include full funding for any benefit revisions?

To open the Fiscal Summary spreadsheet, right click on the spreadsheet, select Worksheet Object/Edit. To exit the spreadsheet, click outside of the spreadsheet

	July 1, 2012 Current System	July 1, 2012 With Changes	Increase/ (Decrease)
(Dollar Amounts in Thousands)			
Present Value of Actuarial Accrued Liability	\$36,644	\$42,652	\$6,008
Present Value of Actuarial Assets	\$26,531	\$26,531	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$10,113	\$16,121	\$6,008
Amortization Period (years) of UAAL	10.00	26.20	16.20
Change in normal cost amount	\$ 199.00	\$ 234.00	\$ 35.00

	July 1, 2012	July 1, 2013	July 1, 2014	July 1, 2015	July 1, 2016
Employee Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Employer Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
State Contribution Rate	5.00%	5.00%	5.00%	5.00%	5.00%
TOTAL Contribution Rate	5.00%	5.00%	5.00%	5.00%	5.00%

FISCAL SUMMARY

To open the Fiscal Summary spreadsheet, right click on the spreadsheet, select Worksheet Object/Edit. To exit the spreadsheet, click outside of the

	FY 2014 Difference	FY 2015 Difference	FY 2016 Difference	FY 2017 Difference
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Federal Special Revenue	\$0	\$0	\$0	\$0
Other - VFCA additional benefits	\$55,383	\$59,165	\$57,747	\$59,461
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Federal Special Revenue	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Description of fiscal impact: Effective July 1, 2013, HB476 provides for a 2% annual post retirement benefit adjustment for VFCA retirees based on the preceding January benefit.

FISCAL ANALYSIS

Assumptions:

1. The amendment would increase the amortization period above 20 years initially, although it again falls below 20 years fairly soon in the projections
2. Current law provides that when the amortization period is more than 20 years, then benefits are to be based upon a maximum of 30 years of service. This adjustment has not been reflected in the reductions in benefits to this maximum service period within these calculations since the amortization period would be expected to return to under 20 years within a relatively short period of time.
3. The actuarial calculations are based upon the data, actuarial methods and assumptions as were used in the Actuarial Valuations of the systems as of June 30, 2012.
4. Prior to calculating the effects of HB476, the 2012 actuarial valuation was adjusted for the changes in data related to the Crossman lawsuit.
5. The assumptions are based on the likely future experience of the systems and represent a best estimate for future experience. The results are dependent upon future experience conforming to the assumptions used.
6. The active plan members will remain demographically similar to the June 30, 2012 actuarial valuation.
7. All actuarial assumptions will be exactly realized including the assumption that plan assets will earn 7.75% per annum on market value.
8. The fiscal impact presented by the actuary assumes that this bill is the only amendment being considered. If other changes are also adopted, the fiscal impact associated with this bill could be different.
9. The State is the only contributor to VFCA which results in the use of alternate amortization methods as compared to other retirement systems. For VFCA the UAAL is amortized over 20 years (not the standard 30 years) and the amortization method is level dollar amount (instead of level percent of pay).
- 10.

Fiscal Note Request – As Introduced

(continued)

To open the spreadsheet below, right click on the spreadsheet, select Worksheet Object/Edit. To exit the spreadsheet, click outside of the spreadsheet.

	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	\$0	\$0	\$0	\$0
Equipment	\$0	\$0	\$0	\$0
Benefits	\$0	\$0	\$0	\$0
Transfers	\$0	\$0	\$0	\$0
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other - VFCA additional ben	\$55,383	\$59,165	\$57,747	\$59,461
TOTAL Funding of Exp.	<u>\$55,383</u>	<u>\$59,165</u>	<u>\$57,747</u>	<u>\$59,461</u>

<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other	-\$55,383	-\$59,165	-\$57,747	-\$59,461

Effect on Local Governments:

1. none

Long-Term Impacts:

1. The retirees will receive an increased benefit.

Technical Notes:

1. Recommend codification of the COLA in part 7 rather than within part 4. This is similar to other chapters administered by MPERA in that the post retirement benefit is in a separate part.
2. HB476 is not consistent with current law and ARM 2.43.5004. Currently the November benefit is adjusted in relation to the actuarial valuation results of the plan being over or under 20 years. HB476 requires the COLA to be calculated based on the prior January benefit.
- 3.